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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

(FOUO 4/82)



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HUNGARY

ITALIAN PAPER CITES HUNGARIAN SOURCES ON ECONOMY

PM291043 Turin LA STAMPA in Italian 25 Apr 82 p 5

[Dispatch from Frane Barbieri: "Hungary's Polish Gains"]

[Text] Budapest--Paradoxically, the best interpretation of Kadarism that I have heard was from a Catholic prelate. I visited the primate's seat at Eszetergom, where Canon Bartl was authorized to convey Archbishop Lekai's thoughts to me. When I observed that the Hungarian church is accused of excessive compliance toward the government--a criticism stemming primarily from Warsaw--the priest replied: "Yes, our position is often criticized by the Poles. But the archbishops always says: Hungary is different from the other people's democracies. We are criticized for not confronting the state, but the archbishop says: Since in our country social problems are resolved to such an extent that all citizens are protected, the people are satisfied and the church is not forced to attempt a battle, as it is in Poland, where people are hungry and suffering as a result of serious problems. In our country, as the archbishop says, we prefer the policy of small steps."

Next he talked about Kadar: "Kadar himself, who is respected by everyone, represents national interests. It is a divine mercy to have him. Therefore the church does not have the impression that it has to represent the nation's interests with respect to anyone else." Is it possible that "Gulag" socialism has led a "Gulag" religion too? No, Father Bartl said; everything is not ideal as far as religious matters are concerned, but that prosperity creates a relaxed atmosphere in which, by means of continuous negotiations and "without any banging of fists on the table," it is possible to move toward the church's objectives. He said: "If we asked for everything in advance, we would have ruled out the paths of compromise."

He issued a curious verdict on Wojtyla: When he was elected it was feared that he would impose the Polish line but then, by retaining Caseroli, the pope showed that he appreciates the policy of small steps. Monsignor Poggi apparently also confirmed this on his visit to Budapest a few days ago.

The ecclesiastical interpretation of the Hungarian miracle basically coincides with the Marxist theories on Kadarism; prosperity gradually leads to freedom and democracy. The Polish idea, the one held by the church and Solidarity, was reversed: Freedom to achieve prosperity. A hasty appraisal

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would be that the Hungarians are entirely right. However, not even the miraculous Hungarian idyll provides sufficient evidence that material prosperity leads automatically to democratic freedoms. The almost ingenious reformism in the economic field has not in the least affected the political and social sphere. It is Kadar's pragmatic style (with a touch of skeptical detachment) that gives the system the element of tolerance--certainly not the ideocratic institutions.

This being so, it remains to be seen whether prosperity will always remain at the level needed to allay political and social thrusts and whether it is conceivable for demands for an adequate political structure not to emerge in the presence of an efficient economic machine.

The idea of an all-embracing economic approach is encountering difficulties in view of this uncertainty. This was revealed to me by [Director of the Research Institute of World Economy of the Hungarian Academy of Sciences Jozsef] academician Bognar, a leading economist: "Now the need is emerging to transfer the state economy to society. I do not trust the systems without contradictions inherent in the utopian ideals of the last century. The contradictions must be highlighted because the state is based on the nation. Economists do not like the nation, however; they like the state. But let us not forget that not all states have a nation and not all nations have a state. The vast majority of people are aware that our situation is better than our neighbors', but new demands are emerging, especially among young people who lack the mentality and the memory of the old. This emphasizes the need to move toward greater freedom. In a strictly disciplined society this is impossible."

Engrossed in turning the rubic cube of the economy this way and that, the government definitely seems behind in considering political reform. Some members believe that it is enough to impart a Christian democratic substance to existing structures, others that new forms of democracy must be made to emerge from the people's unrest. This is what [Hungarian Socialist Workers Party] Central Committee member [Peter] Renyi said: "It may be a heretical idea, but I believe that a crisis could even be positive, because it would destroy the dogmatic way of thinking."

Indeed, many people have a feeling that there will be an imminent crisis. Not so much as a result of the Polish epidemic as because of the unlikelihood of maintaining high living standards. The government is planning a halt at the present level, with a symbolic growth of 1 percent, but current prices do not confirm these forecasts. How will it be possible to manage the conflicts and anticipate the unrest? There is a fear of excessive order but also a fear of excessive disorder.

Officially there is no dissidence among young people and intellectuals. The argument "let us not create difficulties for Kadar" has always prevailed over attempts at opposition. In exchange the limits of tolerance of artistic expression--in literary journals, in the theater and above all in films (the protest movies of the Rakosi period are significant)--are extended. In research and the sciences, however, economics has dominated sociology and philosophy. Paradoxically, Stalinist former Prime Minister Hegedus

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has remained virtually isolated in his ivory tower of lukacs-style critique. In this connection there is no evidence of either a Hungarian workers defense committee or a resurgence of the Petofy clubs, the intellectual catalyst of the 1956 uprising. Indeed, the intelligentsia submits to the party verdict, according to which the clubs were "dens of counterrevolutionary revisionism."

While among intellectuals there is no rebirth of old Marxist ideas--the ideas of human alienation, the obsession with the young Marx as originator of new-left dissidence--early Christian protest is emerging within the Catholic ranks. The bishops are grappling with oppositionist priests. There are about 100 of them, centered on Father Bulanyi. They demand "the return to prayer" and criticize the bishops for having become integrated into the establishment. The "hardliners" (there are apparently some 100,000 supporters) are, in the opinion of priest and deputy [and director of Actio Catholica Imre] Varkonyi, "subversives opposed to the episcopate and to socialism," and moreover "false pacifists." Lekai has already warned the clergy against following Bulanyi, invoking Kadar more than papal encyclicals.

Then there are the trade unions. I asked Secretary of the National Trade Union Council [Ferenc] Solyom what lesson has been learned from events in Poland. He replied: "They show us that decisions cannot be taken over the workers' heads, without the workers." For Hungary too "there is a need for a new trade union movement." It will emerge, however, within the existing official trade union, not from a spontaneous workers initiative (condemned back in the verdict passed on the 1956 uprising).

Some measures have been adopted in this direction: For instance, the trade union has the right to veto all decisions by the factory management regarding pay and working conditions; the trade union chief belongs to the "quadrumvirate" that determines enterprise policy and includes the manager and the party, communist youth and trade union secretaries; last, every year the trade union gives the ministry its opinion of the manager, an opinion that can, but need not, influence the renewal of his mandate. But has the nub of the conflict between Walesa and Jaruzelski--namely who should appoint the director--been tackled in Hungary? In practice, no, inasmuch as Jaruzelski's rule applies: The state owns the enterprise and therefore appoints the managers.

In a book by trade union president and Politburo member Gaspar I read, however, that in the future factories will tend to become workers cooperatives, like the farms, not vice versa. Solyom explained to me: "In fact the policy is to socialize enterprises primarily in their management, leaving only the general development guidelines to the state."

[Question] So does the manager represent the state or the workforce?

[Answer] For the time being the valuation is mixed. Where participation is more limited, he is regarded as a man of the state, but there are already examples where the manager is regarded as a representative of the workforce.

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We have placed the problem of appointments on the agenda, and the trade union's opinion is already the first step.

[Question] What about self-management? Is that another Polish obstacle?

[Answer] We do not say self-management, though in practice it will exist.
[Answer ends]

They do not use this term for curious reasons: In the 1956 uprising self-management was the slogan of the rebels in the big factories, who are now proclaimed to be counterrevolutionaries inspired by the Yugoslav revisionists and by Western imperialists (as stated in the party history published on the 25th anniversary of the uprising). Moreover, the Soviets are allergic to the world self-management because of both Yugoslavia and Poland.

In Budapest's major work sites I tried to establish to what extent this new mechanism works in practice. The enterprise is autonomous to the extent of the one-third of the profits that remain available to it after the state has deducted two-thirds. The manager considers himself an interlocutor on a par with the minister. What about the trade unionist with respect to the manager? I asked him: Have you ever used the veto? He replied: "No, but the fact that we are able to use it is in itself a function."

[Question] Have you ever gone on strike?

[Answer] No, the right to strike exists but we do not consider it too beneficial for socialism.

[Question] Have you expressed your opinion of the manager?

[Answer] Yes, for the fourth time.

[Question] Was it favorable?

[Answer] Yes: There are more problems where it would have to be unfavorable. In those cases it is often not expressed.

[Question] Do you think about self-management?

[Answer] In our country the task of management has been clarified, there is no sharing or confusion of tasks. This does not mean that the trade union must not be consulted on the plan and on the distribution of profits. We have a duty to stimulate the production forces, because to demand pay without producing enough is illogical. [Answer ends]

In other words, a trade union that could be envied by other Eastern bloc workers, but even more by Western industrialists.

The most intensive social dialectic still seems to be between Ujpest and Ferencvarosi [soccer clubs] supporters, partly because Kadar has had the wisdom not to disclose his own preferences with regard to soccer. Basically,

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of all the single-party and monolithic institutions of Kadarism, the most democratic, open-minded and tolerant is still Kadar himself--"a real divine miracle," according to the priest-deputy Varkonyi. According to party ideologue Renyi, he is "the man who did not invent but who intuitively grasped this line that has extricated us from terrible confusion. A man of resolute will and strong nerves, determined in politics and with a mentality of gradualism, of small steps foward."

The only threat to Kadarism is that events can sometimes proceed by larger steps. This fear was expressed to me by a political analyst on a relaxed free Saturday granted by Kadar, while a free Saturday denied by Jaruzelski is causing Poland's collapse.

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POLAND

POLISH BANK OFFICIAL ON RESCHEDULING DEBT

PM121429 London FINANCIAL TIMES in English 12 Mar 82 p 1, 40

[Dispatch by David Buchan and Christopher Bobinski: "Poland Cuts Arrears on 1981 Western Bank Debt"]

[Text] Warsaw--Poland has reduced the interest arrears on its 1981 debt to Western banks to "almost zero"--\$10M-\$20M and is confident of finally signing a formal rescheduling of its 1981 debt of \$2.4Bn by the end of this month, Mr Marian Minkiewicz, president of Bank Handlowy, Poland's foreign trade bank, said yesterday.

In an interview, Mr Minkiewicz and Mr Jan Woloszyn, his deputy, who handles the complex negotiations with more than 500 Western banks, made clear that rescheduling a similar amount of Western bank debt falling due this year could be more difficult without a marked improvement in Poland's hard currency trade balance.

Mr Minkiewicz said it would probably be impossible if Western governments did not agree to reschedule the \$2.2Bn which they have guaranteed and which also falls due this year.

Mr Woloszyn admitted that in its talks with Western banks, Poland was trying to bring pressure to bear on their governments to reschedule. Most Western governments have refused to reschedule their debt until General Wojciech Jaruzelski, Poland's military leader, ends or significantly relaxes martial law.

The leaders of Handlowy Bank, which handles all Poland's foreign exchange dealings, stressed that it was in Western bankers' interest to grant Poland speedy short-term trade credits. This would help improve export earnings and aid Poland's ability to repay.

"We have had indications that some commercially-minded banks might do this, including one major West German bank," although only after Poland had met all its obligations on 1981 debt, said Mr Minkiewicz.

The Soviet Union has not given Poland any further hard currency loans so far this year. Last year Moscow lent Poland \$465M and rescheduled about \$999M of earlier loans in convertible currencies.

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Mr Minkiewicz said, partly as a result of General Jaruzelski's successful trip to Moscow early this month, the Soviet Union had speeded up deliveries, largely on credit, of raw materials such as cotton, iron ore and metals.

Parliamentary deputies in Warsaw have been told that the Soviet Union has undertaken to deliver between 25 and 40 percent of its total planned 1982 shipments to Poland by the end of this month.

"Up to now we have given equal treatment to all banks and governments," said Mr Minkiewicz. But if some countries refuse to reschedule and other governments are ready to, "we would differentiate in our attitude to them." Austria in particular is "interested in maintaining its energy imports like coal from us, and its exports to Poland," Mr Wolosyn claimed.

The bankers explained their arithmetic on Poland's parlous financial situation this year. Total debt obligations falling due this year amounted to \$10Bn, of which \$7Bn was principal and \$3Bn interest, they said. Of the \$7Bn, \$2.2Bn was owed to Western governments, \$2.4Bn to Western banks, and most of the rest to COMECON countries.

The Polish officials expect hard currency exports to reach about \$6-7Bn this year. But since imports had been drastically squeezed for lack of credit, hard currency trade might be \$0.5Bn-1.0Bn in the black. They declined to comment on the possibility that, without a fresh currency injection from Moscow, Poland might not have enough to pay the interest on even a rescheduled 1982 Western bank debt.

Mr Minkiewicz said Poland was still interested in membership of the International Monetary Fund and denied it was dragging its heels with the IMF, which sent a team back to Warsaw this week.

The Polish Government was not counting on any IMF loan this year in its calculations. But the Bank Handlowy commented that many of General Jaruzelski's government's recent measures, such as the February price increases, would be just what the IMF "doctor" would order, if and when Poland entered the IMF and drew a loan.

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POLAND

POLISH OFFICIAL PREDICTS SHIFT IN TRADING PATTERN

PM041309 London THE TIMES in English 4 Mar 82 p 6

[Roger Boyes dispatch: "Poles To Reduce Trade Links with the West"]

[Excerpt] Warsaw, 3 Mar--Poland is preparing a radical shift in its trading pattern to minimize its economic dependence on the West, according to an official who accompanied General Wojciech Jaruzelski, the Polish leader, to Moscow.

The official, who wanted to remain anonymous, said three levels of economic aid had been discussed in Moscow. First, there was Soviet assistance to relieve the immediate effects of the West's limited sanctions against Warsaw. Second, there would be COMECON assistance to increase the use of industrial capacity in Poland and ease unemployment there. Finally, long-term plans for completely changing the focus of Poland's trade with the world were discussed in the talks with President Brezhnev and other Soviet leaders.

This last point, the official said, represented "a turning point", indicating that it meant a much deeper relationship with the Eastern bloc. Meanwhile, the Soviet Union was giving assistance in hard currency to help Poland "through these troubled times."

The official, an officer in the Polish Army, emphasized parts of the final communique that acknowledged Poland's right to settle its own problems without foreign interference and recognized that Poland's borders were just and internationally guaranteed.

Although these comments were intended to demonstrate that the United States has no right to interfere in Polish affairs, a long-standing complaint since martial law, they are also significant when made in the context of a trip to Moscow, underlining the Soviet willingness to allow Poland time to find its own way out of the crisis without direct intervention.

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